

Message Text

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ACTION COME-00

INFO OCT-01 NEA-10 ISO-00 EB-07 /018 W

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R 020400Z JUN 75

FM AMEMBASSY KABUL

TO SECSTATE WASHDC 2788

INFO USDOC WASHDC

C O N F I D E N T I A L KABUL 3451

EO 11652: GDS

TAGS: BEXP, AF

SUBJECT: MAJOR PROJECT: KANDATAR TEXTILE MILLS

REFS: A) STATE 120280; B) KABUL 3156; C) STATE 126658

1. SUMMARY. VISITS OF U.S. BUSINESSMEN, PLUS EMBASSY CONVERSATIONS WITH TOUFIQI AND AMBASSADOR'S DISCUSSIONS WITH DEPFONMIN ABDULLAH AND MINPLAN KHURRAM, HAVE CLARIFIED GOA FORMAT FOR HANDLING LARGE INDUSTRIAL CONTRACTS. WE BELIEVE AMATEX STILL HAS EXCELLENT CHANCE BEING AWARDED TEXTILE PLANTS CONTRACT. TOUFIQI'S STAR MAY BE WANING IN GOA. END SUMMARY.

2. FROM SERIES OF WIDE-RANGING DISCUSSIONS, APPEARS THAT CABINET DECISION TO GO FOR SEALED BID INTERNATIONAL TENDER MADE PRIMARILY BECAUSE THIS WAS SEEN AS A LESS CONTROVERSIAL MANNER HANDLING \$70 MILLION CONTRACT. IN ADDITION, TOUFIQI (NOTE SPELLING) STATES THAT HE ULTIMATELY RECOMMENDED INTERNATIONAL TENDERS TO AVOID PREFERENCE AMONG SOME CABINET MEMBERS TO USE CHEAPER SOVIET-SUPPLIED LOOMS WHICH HE (TOUFIQI) CONSIDERS POOR QUALITY AND DOES NOT WANT. (TOUFIQI ASSURED VISITING REP OF ROCKWELL INTERNATIONAL, MANUFACTURERS OF THE DRAPER LOOMS IN THE AMATEX PACKAGE, THAT IDEA OF RUSSIAN LOOMS IS DEFINITELY DEAD, AND WINNING WINNER WOULD SUPPLY COMPLETE PACKAGE.)

3. THIS ISSUE DISCUSSED WITH DEPFONMIN ABDULLAH BY AMBASSADOR IN MAY 28 MEETING. IN RESPONSE AMBASSADOR'S INFORMAL DEMARCHE
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ON AMATEX BID HANDLING, ABDULLAH SAID PROJECT SHOULD HAVE

BEEN SUBMITTED TO INTERNATIONAL TENDER FROM BEGINNING. THIS POINT LATER CONFIRMED TO AMBASSADOR BY MIN PLANNING KHURRAM IN MAY 31 DISCUSSION. KHURRAM, WHO CLAIMS HE HAS BEEN QUERIED BY FIVE AMBASSADORS ON AFGHAN GOVERNMENT'S GROUND RULES FOR HANDLING OF INDUSTRIAL PROJECTS, INTIMATED TOUFIQI MADE SERIOUS TACTICAL ERROR IN NOT RPT NOT GOING INTERNATIONAL TENDER ROUTE FROM BEGINNING. HE ALSO LEFT IMPRESSION TOUFIQI'S STAR MAY BE WANING IN GOA AS RESULT THIS TACTICAL BLUNDER.

4. EMBOFF USED OCCASION OF SINULTANEOUS VISIT REPS OF TWO MEMBERS OF AMATEX PACKAGE TO ENGAGE TOUFIQI IN DISCUSSIONS TOTALLING ABOUT TWO HOURS. AS A RESULT, POST IS MUCH MORE OPTIMISTIC ABOUT THE PROSPECTS FOR THE AMATEX PROPOSAL BEING ACCEPTED. TOUFIQI EXPECTS ONLY THREE BIDS TO BE SERIOUSLY CONSIDERED, FROM AMATEX, AND FROM GERMAN AND JAPANESE WHO WERE NEGOTIATING AT SAME TIME AS AMATEX. HE EXPLAINS THAT SEALED BID PROCEDURE IS INTENDED TO FORCE ROCK-BOTTOM BID FROM THREE APPROXIMATELY EQUIVALENT BIDDERS. THEREFORE, AMATEX'S COMPETITION IS SOLELY JAPANESE AND EUROPEAN.

5. TOUFIQI STATED THAT THE BIDS WOULD BE CONSIDERED STRUCTLY AS A PACKAGE AND THAT PRICE EVALUTATION WILL BE ON A LEVELED BASIS (E.G., IF AMATEX QUOTES FOR OFFICE SPACE ON THE BASIS OF THREE SQUARE METERS PER OFFICE WORKER, WHILE THE JAPANESE QUOTE ON THE BASIS OF TWO SQUARE METERS, THE U.S. FIGURES WILL BE REDUCED OR THE JAPANESE INCREASED FOR COMPARISON. THE GOA DECISION ON HOW MANY SQUARE METERS ARE NECESSARY WILL BE MADE LATER, BY DISCUSSION BETWEEN TOUFIQI AND CONTRACTOR.) THE BIDS WILL BE OPENED AND THE PRICE EVALUATION WILL BE MADE BY A COMMITTEE FROM THREE MINISTRIES. SUBSEQUENTLY, TOUFIQI WILL MAKE A TECHNICAL EVALUATION AND PRESENT HIS RECOMMENDATIONS TO THE HIGH ECONOMIC COUNCIL. THAT COUNCIL'S RECOMMENDATION WILL THEN BE PRESENTED TO THE CABINET BEFORE A CONTRACT WILL BE SIGNED. TOUFIQI ESTAIMATES (OPTIMISTICALLY) THAT THE PROCESS WILL TAKE TEN DAYS.

6. COMMENT: IT EVIDENT GOA IS NOT RPT NOT OF ONE MIND ON QUESTION OF MOST OPTIMUM MANNNER OF PRESENTING OR AWARDING CONTRACTS FOR CONSULTANCY, INVESTMENT OR CONSTRUCTION OF INDUSTRIAL PROJECTS. BASIC DIFFERENCES OF APPROACH ARE CONFIDENTIAL

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EXACERBATED BY FACT THAT TOUFIQI, AS KEY MAN IN CONTACTS WITH PRIVATE FOREIGN FIRMS, DOES NOT HAVE CABINET RANK AND CANNOT RPT CANNOT SPEAK WITH THAT AUTHORITY IN FORMAL CABINET MEETINGS. EMBASSY BELIEVES AMATEX STILL HOLDS PRIMUS INTER PARES POSITION IN BIDDING ON TEXTILE PROJECTS. IN ANY FURTHER BIDDING, HOWEVER, US FIRMS MUST BE PREPARED FOR CHNGEABLE, SOMETIMES AD HOC RULES OF THE GAME GIVEN CURRENT AFGHAN GOVERNMENT LACK OF EXPERIENCE IN DEALING WITH PRIVATE

FIRMS. WE ALSO CERTAIN THERE SOME MEMBERS OF AFGHAN GOVERNMENT
WHO ARE OPPOSED IN PRINCIPLE TO PRIVATE ENTERPRISE CONCEPT,
INCLUDING AWARDING OF LUCRATIVE CONTRACTS TOO PRIVATE FOREIGN
FIRMS. GOOD TEST OF WHICH ELEMENT IN GOVERNMENT WILL WIN
OUT WILL BE IN ULTIMATE AWARDING SOME TWENTY INDUSTRIAL
PROJECTS CURRENTLY UNDER STUDY. END COMMENT.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 02 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: SmithRJ
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975KABUL03451
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750191-0810
From: KABUL
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750690/aaaadelo.tel
Line Count: 122
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION COME
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 STATE 120280, 75 KABUL 3156, 75 STATE 126658
Review Action: RELEASED, APPROVED
Review Authority: SmithRJ
Review Comment: n/a
Review Content Flags:
Review Date: 29 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29 JUL 2003 by ShawDG>; APPROVED <24 NOV 2003 by SmithRJ>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MAJOR PROJECT: KANDATAR TEXTILE MILLS
TAGS: BEXP, AF
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006